

**Appendix**

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LIVABLE COMMUNITIES HANDBOOK

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Land Use and Design Strategies for the South Bay Cities

# Interviews with Southern California Developers

## **INTERVIEW METHODOLOGY**

Five Southern California developers were interviewed in order to gain a better understanding of how cities can promote Livable Communities strategies through private sector investment. All of those interviewed have built mixed-use or residential projects in and around the South Bay sub-region, and all were quite familiar with the communities and the development process in the sub-region. The interviews were conducted informally by telephone using a set of "Discussion Points."

## **INTERVIEW SUMMARIES**

### **Interview 1: John Given, CIM Group Developer of "Main Street" retail and mixed used projects in Southern California**

**What can cities do to encourage investment in older, commercial arterial streets?**

The most important strategy by far is a relaxation of parking standards. Inflexible parking requirements can break an otherwise attractive project for developers. Requiring developers to provide lots of parking on site in an older area may necessitate purchasing more land, rearranging the site layout, and a longer EIR process. If it doesn't kill a project, it will definitely affect its quality. This applies to building new on vacant parcels and also to the reuse of older structures.

One reason that the South Bay Cities are so stringent on parking is that the neighborhood is very active and worried about their property values. Parking spillover into residential areas is their big fear. Therefore, the cities need to set up effective residential permit parking programs around the redevelopment area.

Cities will also need to provide public parking facilities. A very good strategy for cities is to combine multiple funding sources to build a public facility. Developers will pay some. They can be charged a fee in lieu of parking spaces. If a developer is involved in building a parking structure or provides the land for it, the developer should share in any revenue that it generates.

**Anything else besides parking?**

The second-most important strategy for cities is to identify a compact, focused location for redevelopment. The area needs to be visually discernable. Keep it fairly small, and

focus all the new development in that area. If the area is not as attractive from a market standpoint, the city needs to do something to counter that. This could be actions to reduce time, risk and/or cost for developers.

Thirdly, cities need to work out all the development and entitlement steps early. Developers need a business-like permitting process – one that is fairly predictable and follows known procedures. Requiring a CUP is a strong disincentive. It can add 9 months and considerable expense and risk to the developer. If the council and the neighbors want a project, and if the area has already been studied (like in a specific plan), then it shouldn't need a CUP.

### **How can cities encourage mixed use?**

Mixed-use development is very attractive these days for developers. There are certainly opportunities for it in the South Bay. But most residents in the sub-region live in single-family units and they oppose any multi-family housing. First, cities need to allow mixed-use, ideally by right. Housing needs amenities and cities should be flexible on that. For example, the units developed in the new Brea downtown have parking across the street in a garage. All cities should allow live-work units in commercial zones. Some developers start an office project, then realize that they could make part of the space into loft apartments. This has happened recently in Santa Monica and Hermosa (Beach). If the city requires another tier of permitting/review to add the lofts, the builder won't touch it.

### **What about incentive programs like density bonuses?**

Density bonuses can help, but they are not that important. The added density can even hurt you. If a density bonus means that you need to provide more parking because the project is now larger, developers don't want it.

### **Any other steps that cities can take?**

Cities need to be more flexible on signage. Planners are really stuck in the 70's on signage. There was such a strong reaction to the gaudy strip mall signs that strong signage controls have become a mantra for planners. Retailers feel that it's very important to get their name out. Sign design in the 1990's is much better than before, and cities shouldn't be too restrictive. They need to liberalize signage requirements.

Cities can also help with parcel consolidation. Some retailers are looking for a larger space than is currently available. They can't get a large space in a mall, and they don't have the visibility there. Older parcels on arterials are too small, or they are chopped up into multiple owners. If cities can assemble these and offer developers a larger space, it can be attractive.

### **What do you look for when considering investment in older commercial arterials?**

Number one is trade area demographics – how many people live within a 3 mile radius? Ideally, it's over 100,000. Household income is important, obviously. Preferably it's over \$50K/year on average. Better is \$60-70K. You also look at the pedestrian traffic – how much is there? What's the potential for growth in pedestrians? Visibility is important, too. Tenants are attracted to street retail not just because of the shoppers walking around, but also because it gives them a good chance to get their name out. They like to have their own building; it gives them identity. And you can't get that in a mall. You also look at the design – when you stand on the street, how does it feel? Even if it's run-down and pedestrians are absent, you can feel that an area has potential. It's factors like containment and density. We look for layering of uses. Many retailers need to count on more than just weekend sales. They need daytime, evening shoppers. This comes from nearby offices, seniors, students, hotels. The lifestyle in the beach communities allows more daytime shopping, since many are self-employed, writers, artists, etc. And you look at the building stock. Tenants like a nice older building. But many times the older buildings are too small or chopped up for their needs.

### **Interview 2: Jonathan Tolkin, The Tolkin Group Developer of the Metlox project in Manhattan Beach**

#### **What can cities do to encourage mixed-use and infill housing development?**

Minimizing the risks associated with environmental review can help a lot. If the EIR can be appealed, that can open up a huge uncertainty for the developer. Cities can take steps to ensure that there is no appeal, like allowing categorical exemptions for CEQA.

Reducing parking is another big incentive to developers. If you're building mixed use, you can often show a reduced parking need with a parking study. But these studies take time and money, and if they end up getting scrutinized by the project opponents, they may be rejected. Cities should codify shared parking standards for mixed use projects so developers know what to expect. That way developers don't have to pay for a parking study. If a parking study is required, it should be reviewed by city staff only, not opened up for public scrutiny. In the Metlox project, we paid for a parking study and found they need roughly 2 spaces per 1000 square feet. This is about half of what would have been required under the city code.

Density bonuses can also be an incentive. Many commercial areas have a 40-foot

height limit, or 3 stories. A density bonus can give you another half to full story of space, and this can make the project more profitable. If you're doing private development, the bottom line is that you've got to make a profit. (Metlox is a little different since the city is contributing funding.)

Reducing or eliminating permit fees is probably not a very good incentive. Cities obviously need the money to pay for the permit review process. If it looks like developers are getting a free ride, there may be political backlash. If fees are reduced, the developer should have to earn it (by building some amenity, for example).

### **How can you overcome the neighborhood resistance to multi-family housing in the South Bay?**

Overcoming opposition to multi-family housing in the South Bay is difficult. A loft or live/work concept may be more palatable because the new residents would clearly be working in the community. Otherwise, condos will be more palatable than rental units. The more affluent beach communities don't want the wild, recent college graduates that rent cheap apartments.

### **Interview 3: Allen McKenzie, MAR Ventures Developer Old Torrance mixed use project and Redondo Beach power plant project.**

#### **What can cities do to encourage mixed-use and infill housing development?**

The Old Torrance mixed use project was possible because the city had a Redevelopment Plan in place for the area with environmental review. No separate EIR was needed for the project. This is very important if you're trying to get developers to build a project that has any degree of uncertainty. It's not that the project was contentious, but it was complicated. Because the city had the entitlements in place from the start, the development was able to proceed. If the developer has to do all the entitlements, there's going to have to be a pretty strong incentive to build.

The Redondo Beach project will feature lots of housing in a mixed use setting. The site is 25 or 30 acres. The Hawthorne project is in the southwest corner of the city, at Rosecrans and Aviation. It will feature some industrial, office and hotel development on 16 acres.

The second most important thing cities can do is parcel assembly. If cities can do the assembly of parcels under different ownership, it saves the developer lots of time and hassle. This is particularly important in the South Bay, where there aren't a lot of large

contiguous parcels. Cities that put together a whole package of land and entitlements for developers will always win out, all else being equal. Culver City does a good job of this; Long Beach is pretty good too. The South Bay Cities generally are not good at this.

Mixed-use development brings up some special issues. First, building housing will always raise liability concerns. If you include housing units in your project, you can almost expect to get sued. This is obviously a disincentive, though there's not much cities can do about it. Secondly, mixed use development often requires creative financing. Fannie Mae doesn't like mixed use. If you have to go to non-conventional financing, it's going to raise the price of the units somewhat.

Mixed use always seems to bring out complaints by the residents. Most residents know what to expect when they choose to live over a restaurant or a shop, but there will always be one or two that complain about parking, early-morning trash pickup, loading, noise, etc. This leads to a perception in the city that the uses aren't compatible. Good design can help this. Parking for the residents needs to be separate, not shared. Loading and trash needs to be as far away from the residences as possible.

#### **What about incentives like density bonuses?**

Density bonuses can help, but they're not that important in much of the South Bay. You've got to be careful not to propose something that is out of character. Most of the South Bay is 2-3 stories at most. If a density bonus takes you over this, there may be a negative reaction. Density bonuses are more useful in places like South of Market in San Francisco.

Some of the open space requirements are pretty high, so offering some flexibility there can make a difference. Developers should be allowed to pool the open space, rather than following a per unit requirement.

### **Interview 4: Avi Brosh, Braemar Homes**

#### **Developer of the 1800 PCH mixed use project in Redondo Beach and several housing projects.**

##### **What can cities do to encourage mixed-use and infill housing development?**

Don't waste you time trying to streamline the permitting process. The entitlements are going to be a pain, and there's really not much cities can do about it. The factors that developers look at when considering a project are: the allowable density or FAR; parking requirements and the cost; and fees.

When you looking at infill housing, the allowed density of a site obviously determines how much housing you can build, and how much money you can make. However, density bonuses are really not going to do much, particularly in the South Bay. Developers in that area are going go be building with wood, which means no more than 4 stories. In the South Bay, you can't build more than 3 or 4 stories without being out of character in the neighborhood. And the more you build, the more parking is going to be a problem.

The amount of parking required by the city is a big factor in developer decisions. Cities can help a lot by building public parking structures, or doing other creative things like tandem parking. He is doing a project in downtown Santa Monica where no parking is required. They are going to build some, but it's a market decision rather than a requirement. This is the ideal situation - let the market determine how much parking developers build.

Development fees are really high in California. But there's not much cities can do about it. School fees, county fees, etc. are out of their control.

Neighbors seem to go berserk when you propose a mixed-use project, even if it's already been studied by the city and is in their General Plan. Anything the cities can do to minimize neighbor opposition to mixed use would help a lot. In Redondo Beach, we are building the "1800 PCH" project on the site of the old Peyton Kramer Ford dealership. This is a mixed use project, with 98 two-story detached condos (3-4 bedroom) over a ground level with 20K sq. ft. commercial and parking. The Payton Kramer development was originally proposed (in 1992) to have 200 attached units, including 40 affordable senior units, but fierce neighborhood opposition forced modification. Now we're building larger detached condos over parking and some retail.

The last possibility for cities is to do it themselves. If a city really wants a mixed use project, they can buy the site, issue an RFP, and hire a developer to build it.

### **Interview 5: Bill Watt, Baywood Development Developer of residential infill projects in Southern California, including Ash Street Cottages in Brea**

**What can cities do to encourage mixed-use and infill housing development?**

There are two main obstacles to achieving more residential infill in the South Bay: lack of sites, and lack of public consensus.

Despite all the talk about livable communities and infill development, there really aren't many sites that can be developed. Many of the available sites are too small to make it worthwhile doing a residential project, especially when you've got parking and open space requirements. If there's a large site, it probably has some problem like contamination. So the most important thing cities can do is assemble small sites and make them available for developers. There are plenty of developers out there looking for opportunities. Everyone talks about innovative financing like tax credits, and that does help you get the affordable units built. But financing is usually not preventing development of a site. This problem is that there aren't many opportunities to build.

We did the Ash Street Cottages in the renovated older downtown in Brea. The city had made this a redevelopment area to clear much of the land. Most of the existing property owners were willing to sell, but there were a few holdouts and the city used eminent domain to take this land. This was a contentious move, but the city had strong leadership and withstood the criticism. This made the project happen.

The second obstacle, lack of public consensus, can be overcome with a strong leadership and professional public input process. In Brea, the city made very clear their vision for the redevelopment area, and got everyone on board. This process was started early, so by the time the actual projects were up for review, there was a lot of momentum to move forward with it. The NIMBY's were minimized. The developer likes to go into a project feeling that the city is a partner. If the city is not behind a project, the developer will be left to hang in the wind at public hearings.

**If the city does have sites and some consensus, what can they do to encourage developers?**

Cities should offer more flexibility on parking if they want infill development. A typical lot on an arterial is 100' deep, 200' wide. You can't get a lot of units on a lot this size at 2 stories if you have to build lots of parking. Cities should reduce parking ratios. They should encourage sharing of parking between office and housing. Residents will typically need their own private space, but the visitor parking can be shared. And it doesn't need to be right next the unit. In the new downtown Brea development, some of the apartments have parking across the street in a garage, and people don't seem to mind.

In more dense areas, charging developers a parking fee in lieu can also work, where the city builds a public garage. This puts the city in the position of a developer - once they have the garage, they have a strong incentive to see the area built-up. These days, we're seeing more small scale, nicely designed parking structures. It doesn't have to be a block long concrete eyesore. Some new parking garages are two levels, made of brick with lots of light, located behind commercial. They have stairways rather than elevators. [All new parking garages must be compliant with the Americans with Disabilities Act.]

Another innovative idea is tandem parking. A typical two-car garage requires over 20



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feet of street frontage. But if they park end to end, you can cut that in half. This is hard for cities to swallow, because the elected officials all live in detached homes with two-car garages, large driveways, and lots of on-street parking. Cities should allow developers to be creative and propose new ideas for parking, rather than requiring the same thing everywhere.

Some cities hurt their chances for getting good infill by the way they conduct their bidding process. These cities have a site available but they have no idea what they want on it. They issue an RFP, and gets tons of responses from developers, many of whom are not really qualified. Because the city has not given any indication of what they want for the site, and proposals are all over the board. When they pick someone to build, the proposal may turn out to be infeasible or the developer can't put the package together, so they bail out. Then the city is left with a vacant lot again. A better system is to issue an RFQ, then select 3 quality firms to write a detailed proposal. Cities should give the developers a good sense of what they want for the property.